

## **Historic, archived document**

Do not assume content reflects current scientific knowledge, policies, or practices.



W5U54

pg. 2

# FARMERS' NEWSLETTER

## Wheat



U.S. DEPARTMENT OF AGRICULTURE  
NATIONAL ARCHIVES LIBRARY  
SERIALS

JUL 31 '79

July 79/W-9

### U.S. Wheat Farmers in Good Position

World wheat production is likely to fall just a bit short of global consumption in the new marketing year--and U.S. farmers are in a good position to fill the gap.

In fact, the general tightening in the world situation in recent months has already sent prices higher--and even some further upward movement is possible in the months ahead.

However, at this early date, harvest and marketing uncertainties still surround the 1979/80 world wheat outlook.

Here's what has happened so far in the marketing year:

Global grain production prospects have dimmed considerably from early season expectations. Bad weather has dealt a blow to wheat crops in much of the Northern Hemisphere--particularly in the USSR but also in areas of Canada and Europe.

### Tighter Supplies Predicted

As a result, global grain supplies are likely to be tighter than at any time in the last 4 years. The fact that the U.S. wheat supply should be fairly close to last year's nearly 3 billion bushels is placing the United States in a good trading position on the world export market.

Some other exporting countries have ample stocks, but face transportation

problems that will inhibit their ability to move enough wheat to help satisfy the world import demand. The U.S. transportation system can readily handle the huge volumes.

But even the United States could face some problems moving supplies to ports if record quantities need to be shipped.

### Larger Crop Likely

No crop is made until it's in the bin, but as of June the 1979 U.S. wheat crop appeared likely to top last year's 1.8 billion bushels by a sizable margin.

Good moisture conditions and expanded acreage are helping production along. However, this year's crop isn't expected to come close to matching 1976's record 2.1-billion-bushel output.

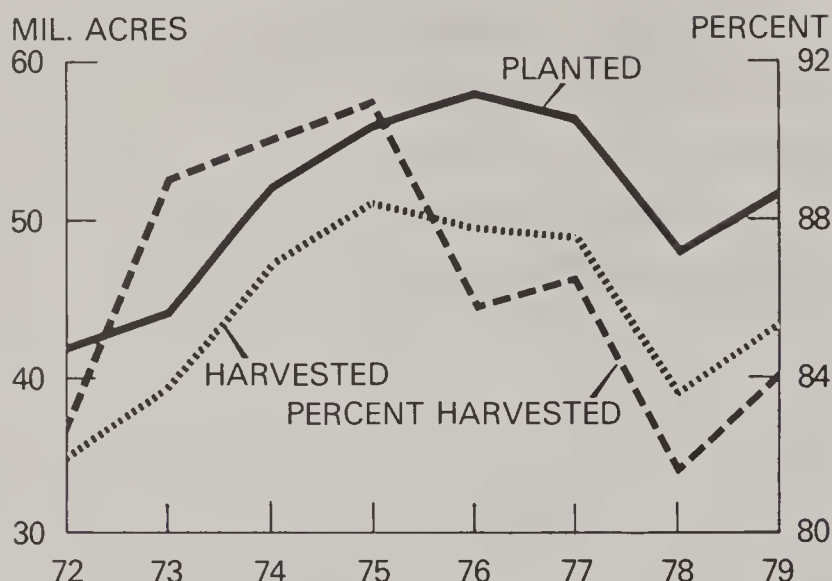
Here's the early June production outlook for each wheat class:

- Winter wheat--1.43 billion bushels, up 14 percent from 1978. Hard Red production close to 1 billion bushels, up 14 percent. Soft Red wheat near 290 million bushels, about 45 percent above last year's

The Farmers' Newsletter is authorized by Congress and written and published by USDA's Economics, Statistics, and Cooperatives Service. Materials in the newsletter are approved by the World Food and Agricultural Outlook and Situation Board.

Principal contributor to this issue:  
Allen G. Schienbein (202) 447-4997

## WINTER WHEAT REBOUNDS FROM '78 LEVELS



1978 preliminary. 1979 indicated as of December 1.

poor harvest. White Winter was off 14 percent due to unusually heavy winterkill. Replanting to White Spring wheat could offset much of this loss.

- Spring wheat--Hard Red crop somewhat below 1978. Late planting may hurt yields.
- Durum--Production at 15-20 percent below 1978's near-record 133 million bushels. Both acreage and yields are down.

### Price Outlook Bullish

The approach of harvest usually means some sag in prices. Not so this year. June prices averaged nearly \$1 ahead of last year's \$2.80 and were nearly double June 1977's low of \$2 a bushel.

The price reached the reserve release level in mid-May, at which time USDA authorized loan repayment from the farmer-owned reserve. Yet, prices continued to strengthen despite sales of reserve wheat.

As of June 29, farmers had redeemed nearly 100 million bushels, or roughly a fourth of the 406-million-bushel total. As this letter goes to press, U.S. farm wheat prices are over \$4,

approaching the reserve loan "call" price of \$4.11.

However, prices may ease somewhat in the weeks ahead as the harvest progresses and adds to market supplies. Even so, demand overseas is very strong--and 1979/80 farm prices will be substantially above last season's \$2.94 per bushel.

### Wheat Reserve Program Background

A record 2.1-billion-bushel wheat crop in 1976 sent farm prices plummeting and by April 1977, they were at their lowest level since 1972.

Following that, prospects for a near-record crop in 1977 made the price outlook pretty bleak. In an effort to shore up farm prices, USDA established the farmer-owned grain reserve program--basically a 3-year extension of loans.

The idea was to insulate excess wheat stocks from the market and keep them in farmers' hands. They would hold these stocks in reserve until prices were more favorable, and foreign and domestic needs were greater.

Farmers apparently liked the program, and placed more than 400 million bushels of the 1976 and 1977 crop in the 3-year reserve.

Under the plan, they were required to keep the grain in the program as long as the national average farm price remained below the "release level." They would be penalized if they sold any reserve wheat stocks prior to this time. When the release level was reached, they were notified that repayment of the loan was authorized and they could sell the wheat.

### Now That Reserves Are 'Released'

- You may redeem your wheat price support loan by repaying the Commodity



Credit Corporation (CCC). Redemption is not required and any decision should be guided by the strength of current market prices.

● You have at least a month to make your decision as the release period extends for the remainder of the month in which it was triggered plus an additional 30 days.

● If you choose to pay back the CCC loan and redeem your wheat, you may keep the prepaid storage payment (25 cents a bushel a year) earned through the date of repayment. You'll have to pay back to the CCC any storage payment beyond that.

● If you don't redeem your wheat, storage payments continue through the initial release period. After that, if USDA continues the release, storage payments will stop in States where the average farm price stays above a level which is equal to the State loan level plus 94 cents. In a State where the price is below this level, storage payments will continue as before.

Late Update

On June 29, USDA announced that the average U.S. farm price continued above the release level. This allows

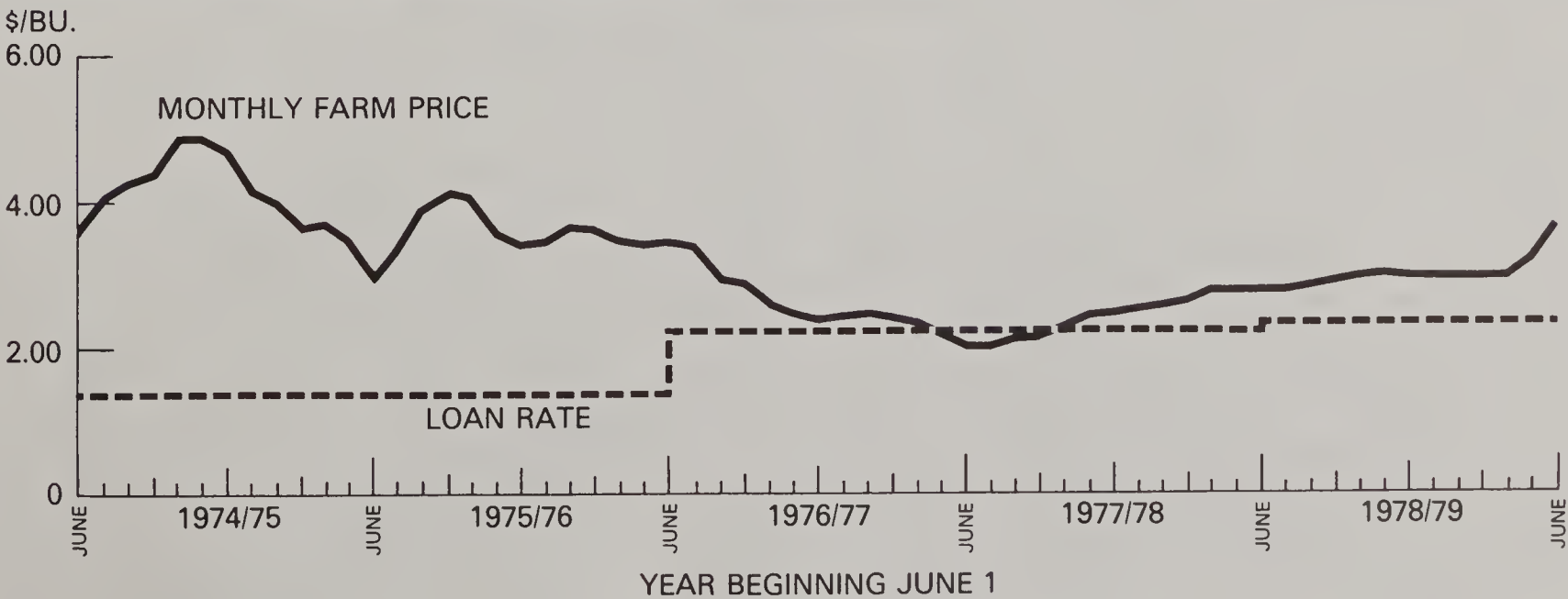
JUNE 1 WHEAT STOCKS SHOW FIRST DECLINE IN 5 YEARS

Item	1977/78	1978/79	1979/80 Projected <sup>1</sup>	
			Alt. I	Alt. II
Million bushels				
Supply:				
Beginning				
stocks . . . .	1,112	1,177	922	922
New crop . . .	2,036	1,799	2,100	1,800
Imports . . . .	2	2	2	2
Total supply.	3,150	2,978	3,028	2,728
Use:				
Food . . . . .	586	590	605	595
Seed . . . . .	80	87	83	87
Feed . . . . .	183	179	225	125
Exports . . . .	1,124	1,200	1,150	1,350
Total use . .	1,973	2,056	2,063	2,157
Ending stocks .	1,177	922	965	571
Dollars per bushel				
Avg. farm price <sup>2</sup>	2.33	2.94	3.00- 3.20	3.80- 4.20

<sup>1</sup> Alternative I shows expected results if planting, growing, and harvesting conditions are generally favorable worldwide; Alternative II reflects consequences expected if conditions are generally unfavorable. <sup>2</sup> Average price received by farmers for the entire crop.

the reserve wheat loans to be redeemed through July 31. Because all average State farm prices were above their State release levels, storage payments

WHEAT PRICES UP SHARPLY FROM A YEAR AGO



# FARMERS' NEWSLETTER



July 79/W-9

POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF  
AGRICULTURE  
AGR 101  
FIRST CLASS



To change your address, return the mailing label from this newsletter with your new address to ESCS Publications, Room 0005-S, USDA, Washington, D.C. 20250.

.....

stopped in all States, effective June 30. On July 31, the average market price will be reviewed again to determine if the release status will continue.

What happens if the "call" price is reached?

- When the \$4.11 level is reached, USDA is legally bound to require repayment of all farmer-owned wheat reserve loans.
- Within 30 days from the call date, you are required to settle up on the loan or deliver the wheat to the CCC.
- If commercial storage or adequate transportation is not available, a 30-day extension may be granted. Determination of transportation difficulties is made on a county-by-county basis every 30 days before any delivery notice is issued.
- Only farm-stored loans are granted extensions, warehouse-stored loans must be repaid or forfeited to CCC after 30 days.
- Your ASCS county office will notify you of the date by which your loan must be redeemed.

- In States where storage payments may be in effect, all prepaid storage payments would cease as of the call date.

## Other Program Information

USDA will announce its final decisions on the 1980 wheat program on or before August 15. Current conditions suggest that a set-aside program may not be necessary for 1980. The announcement will include details on the national program acreage, set-aside, target and loan levels, and the special grazing and hay programs.

The interest rate on 1979 wheat crop price support loans has already been announced. It will be 9 percent, up from 7 percent for the 1978 crop. The 7 percent rate remains in effect on 1978 crop loans until they are repaid.

\* \* \* \* \*  
\* FOREIGNERS WHO OWN FARMLAND \*  
\* Foreigners who own, buy, sell or \*  
\* hold interest in U.S. farmland are \*  
\* reminded that they must report this \*  
\* information to USDA. Contact your \*  
\* nearest ASCS office for details. \*  
\* \* \* \* \*